



Report to the Competitiveness Council  
by the Maltese Presidency

29th May 2017



PROPOSAL OF  
THE MALTESE PRESIDENCY FOR  
MOBILISING FAMILY BUSINESSES  
AND BUSINESS TRANSFERS

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# INTRODUCTION

Transfers of ownership in private businesses are a highly topical and extraordinarily important issue in all European countries, affecting over 700,000 companies and millions of jobs every year. The European Commission has analysed the conditions for business transfers in the Member States and has issued recommendations to each Member State as to what needs to be done to facilitate business transfers and safeguard jobs. In this respect, Malta can be seen as a model country that has, during the present Government's term in office, legislated for the beneficial transfer of family businesses from one generation to the next to further compliment its present system of no gift and wealth taxes. Malta does not impose inheritance and gift taxes, and does not impose tax on capital gains upon the donation of shares in a Maltese family-run business company where the recipient of the shares is the spouse, descendants or ascendants in the direct line and their relative spouses or, in the absence of descendants, brothers or sisters and their descendants.

Against this back drop, and in light of the Maltese Presidency of the Council of the European Union, it was considered opportune and necessary to arrange a European conference in Malta on transfers of business ownership and family businesses. Malta wanted to show how far research has come in the area, and the location made sense, as Malta is an intriguing example of how policy decisions can facilitate business transfers.

Transfers of ownership involve many and varied questions, not least among them the emotional and family-related aspects when family members switch roles and new owners or new managers step into the company. It is particularly important that the transfer of ownership is dealt with in a timely manner so that the myriad issues can be skilfully handled within the ownership circle.

## **CHAPTER 1**

# THE CONFERENCE

### **Objective of the Conference**

The purpose of the conference was to present the current state of knowledge about transfers of business ownership as well as to show experiences from practice and from policymaking. In line with this purpose the aim of the various conference sessions was to address and evaluate the impact of various measures implemented in recent years for facilitating business transfers, including tax repeal, cross border transfers and inter generational successions as well as to report on remaining difficulties such as financial and legal obstacles, but also relational and emotional challenges.

The conference was designed to facilitate dialogue and exchange of knowledge and experiences among researchers, entrepreneurs, owners, politicians, experts and advisors from various European countries. Representatives of these categories from the member state countries were duly invited to participate in the conference.

The conference was organised by the Maltese Ministry for the Economy, Investment and Small Business in collaboration with DG Grow (through COSME) as part of the Programme for the Maltese Presidency of the Council of the European Union 2017.

We would like to express our sincere gratitude to everyone involved in the conference: speakers, participants and organisers. All of the presentations and papers are available on the conference website at [businessstransferconference.gov.mt](http://businessstransferconference.gov.mt)

The Conference aimed to provide an opportunity to take stock of the situation to date as well as to identify and propose priorities to the Commission in the near future. Practitioners and policymakers actively engaged in this conference generating quite substantial feedback.

The main objective of the Conference was to engage a high-level policy dialogue amongst different Member States'. Its aim was to serve to increase awareness of the importance of supporting business transfers and family businesses and to ultimately obtain commitment at a Commission level to commit further to the assistance of business transfers and family businesses. The outcome of the Conference should be a commitment by the Commission defining the key orientations and way forwards of a Business Transfer / Family Business Action Plan, bringing about significant change in the transfer and succession sector as a key agent for addressing economic and societal challenges, as well as being an enabling sector for effective business transfer and family business succession. It is of great importance to outline in this commitment the need to further improve the uptake and use of European and national funding to support this transition.

The proposals of this report are based on the conclusions of the 120 questionnaires completed by delegates ahead of the conference, the comments made by panellists and speakers and the reports by the rapporteurs reporting on the two work shop sessions.

### **Format of the Conference**

The Conference was designed as a one-day session on 17<sup>th</sup> March 2017, preceded by a networking reception the evening before.

In terms of participation, the Conference was open to European Member States bringing together over 250 persons representing a cross section of public and private sector, lead organisations, stakeholders and policy makers.

Aside from the panel discussions and key note speech delivered by the Maltese Prime Minister Honourable Dr. Joseph Muscat, the following topics were addressed during the conference:

- Effective policy and support measures for business transfers in the Single Market – how to prepare for the challenge ahead?
- Transfers of family businesses and their economic challenges – Malta and the work it has undertaken
- What have we learnt from recent work on business transfers? –Main findings of business transfer projects
- Technical and non-technical barriers to business transfers
- Innovative solutions and methods for economically sustainable business transfers
- Interactive panel discussion tackling Indicators and support measures to facilitate the transfer of business at EU level, most especially micro, small and medium Sized Enterprises; Awareness-raising; Business support; Access to finance and financing of transfers, on-line transfer markets; The legal framework and taxation; Young entrepreneurs; EU countries' actions, best practices and measures at pan European, national, and regional levels designed to remove or redress barriers.
- Workshop Session 1 – Cross-Border Business Transfers
- Workshop Session 2 – Successions within Family Businesses
- Helping Member States to Implement Business Transfer / Family Business Measures.
- How can we build a European policy to encourage and support SME transfers?

### **Questionnaire**

Prior to the conference and as part of the registration process, participants were asked to complete a questionnaire on core topics related to those being discussed by the panel of speakers and in the workshops.

The below charts are the results from 120 collated questionnaires.

In terms of the prevailing questions requiring commentary the principle replies were as follows.

Question 1 – Fiscal, Liquidity, Family governance, transfer between legal forms, late preparation.

Question 2c Increases advisory, fiscal incentives, education and awareness.

Question 3b Access to take over financing, technical barriers, access to professionals, psychological and emotional reasons, tax and business knowledge.

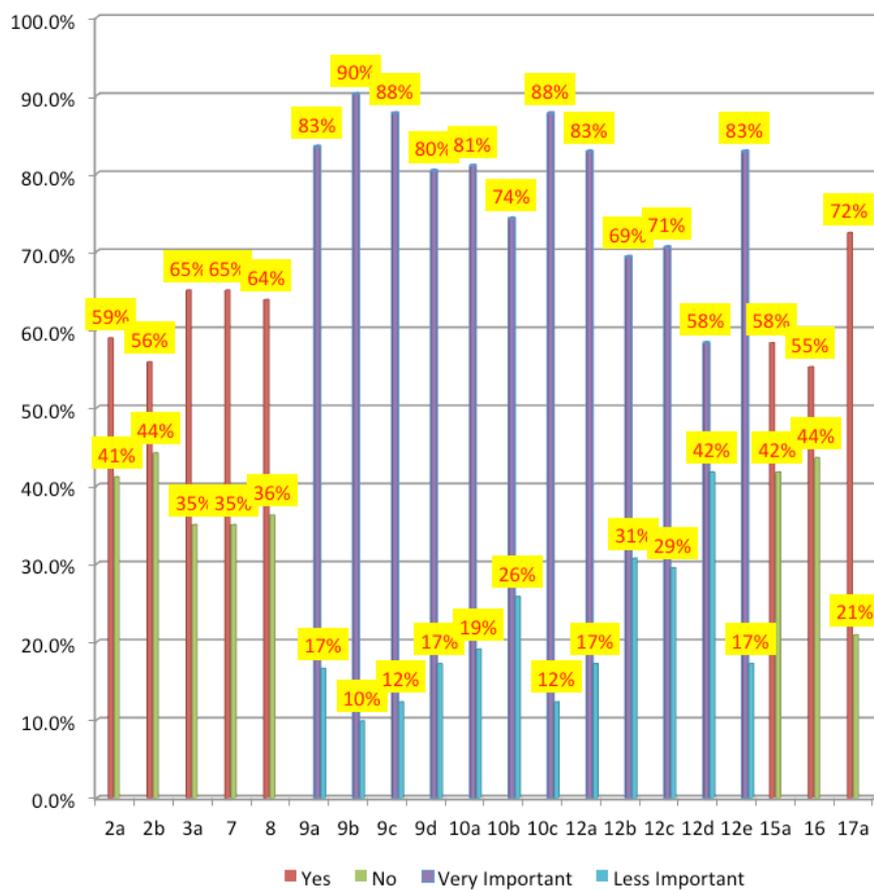
Question 4 – Family constitutions for better governance, non family advisors, involvements of non family members.

Question 5 – Access to finance, fiscal measures, access to good employees, administrative burden, competition

- Question 6 – Cross border fiscal incentives, reduction of bureaucracy, harmonisation of legal, tax and financial issues.
- Question 7a – Tax neutrality, capacity building, access to finance, need to encourage more active involvement of female family members.
- Question 8a – Aside from the Family Business Act of Malta, other member states did not have specific governance and fiscal measures.
- Question 11 – More favourable lending facilities and low interest loans, refinancing facilities, friendlier banking system, private equity funds, state assistance, private equity/venture.
- Question 13 – Providing financial assistance, inclusion in individual tax forms, European level business transfer barometer, compilation by private firms.
- Question 14 – Tax barriers and variation in tax and capital regulations between member states, administrative, different legal systems, lack of knowledge transfer, access to finance.
- Question 15b – General reference was only made to the Maltese Family Business Act.
- Question 16a – No assistance or support.
- Question 17b – Fiscal and governance, cultural and social, knowledge transfer and a succession plan.
- Question 18 – Unified policy, working party at Council and development of a European expert level group, standardisation of tax rules, heightened awareness and education, legislation.
- Question 19 - Access to finance, fiscal and governance incentives, legal support, training and awareness, capacity building, removal of technical and non technical barriers, fair tax treatment.

The following are the statistics of the outstanding questions:

| Question No. | Yes | No  | Very Important | Less Important |
|--------------|-----|-----|----------------|----------------|
| 2a           | 59% | 41% |                |                |
| 2b           | 56% | 44% |                |                |
| 3a           | 65% | 35% |                |                |
| 7            | 65% | 35% |                |                |
| 8            | 64% | 36% |                |                |
| 9a           |     |     | 83%            | 17%            |
| 9b           |     |     | 90%            | 10%            |
| 9c           |     |     | 88%            | 12%            |
| 9d           |     |     | 80%            | 17%            |
| 10a          |     |     | 81%            | 19%            |
| 10b          |     |     | 74%            | 26%            |
| 10c          |     |     | 88%            | 12%            |
| 12a          |     |     | 83%            | 17%            |
| 12b          |     |     | 69%            | 31%            |
| 12c          |     |     | 71%            | 29%            |
| 12d          |     |     | 58%            | 42%            |
| 12e          |     |     | 83%            | 17%            |
| 15a          | 58% | 42% |                |                |
| 16           | 55% | 44% |                |                |
| 17a          | 72% | 21% |                |                |



For a full outline of the questionnaire please see the attached appendix 2.

## **Speakers**

The conference was led by high level speakers including Commissioner Bienkowska, the Prime Minister of Malta, the Maltese Minister for the Economy, Investment & Small Industry, three Members of Parliaments, the Maltese Regulator for family businesses, academics, Commission representatives, leading organisations on business transfers, private family businesses and international experts.

Malta was glad to hear **Commissioner Bienkowska's** inspiring speech to actively work at Member State and EU level to support the different kinds of business transfers (intra family succession, transfer to employees, transfer to third party). Mrs Bienkowska underlined the recent 3 EU funded projects, including the successful EU4BT project.

Mrs. Bienkowska also emphasized that supporting intra family succession is essential, as the Maltese Government has recently done, with the promising Family Business Act. It was however, also underlined that it is important for Member States to also consider other kinds of transfers for the family business when the children are not able or willing to take over the family business. Such transfers include the transfer to the management or employees of the company (Management-Buy-Out) and the transfer to a third party (external buyer, either an entrepreneur or an existing company, Management-Buy-In).

As also pointed out by DG Grow Director for COSME Mrs. Kristin Schreiber during the closing speech of the conference, Mrs Schreiber added that Member States should now set up national action plans, making sure to tackle the important challenges such as:

- Quality support & advice, both for emotional and technical aspects,
- The right matching between business owners transferring their business and acquirers
- Stimulating cross-border business transfers, to make the most of the EU Single Market and StartUp ScaleUp Initiative

## CHAPTER TWO

# WORKSHOP SESSIONS

### **Workshop Session 1 – Successions within Family Businesses** **Rapporteur Ms Maria Farrugia**

Family businesses have been considered to be the hidden backbone of the European economy for years, providing a key to growth and quality employment. Nonetheless, these businesses are faced with the challenge of business transfer which threatens their continuation if not planned for and handled carefully.

The European Union's continuous efforts towards supporting start-ups is acknowledged, yet some feel that the European Commission (EC) should focus more on protecting the transfer of existing businesses. Official data is urgently needed, but current estimates suggest that every year, around 480,000 businesses are transferred, putting 2 million jobs at risk, hence the significance of safeguarding this process. More specifically, an effort should be made to facilitate transfers within the family. Considering the positive effect of family ownership to growth, jobs, and stability, 'plan A' for policy makers should be family business succession; if this is not possible 'plan B and C' should be the transfer to a third party or to employees. Family businesses are founded on a set of values and follow a long-term vision which spans over future generations. Thus, one must not look at the transfer of a family business as a mere transfer of an asset, but rather the transfer of a vision which needs to be nurtured responsibly.

Choosing the right successor of the business is a stressful decision for the owner. A transfer is not a single event, but a process that must absolutely be planned in advance in order to succeed. Family members must be studied from a very young age so as to distinguish between who is interested in the sector and who has no interest in working in the business. After this analysis, the suitable people must be developed. Where a family does not have the right people to take on the business from the older generation, the business will need to be transferred to third parties. Therefore, planning succession and choosing the right successor is not to be discussed when the business owner has passed away. Experts recommend a period of 10 years to prepare transfer, with owners beginning to think seriously about succession as of 50 years of age, and planning to retire at about 60 to 65. It needs to be discussed openly over the years, much before the actual transfer takes place. Family business owners must be made aware of the resources and tools, through business support networks, that are available to them to better prepare their transfer.

On the other hand, one must bear in mind that family businesses are heterogeneous; "a continuum". Transferring to the next generation might not be the optimum option for everyone. To think otherwise, would be short sighted, especially in the case of technology companies whose industry is volatile.

When family business succession is not a viable option, potential buyers and sellers can be mentored by experienced entrepreneurs to find the ideal solution for the future of the business and of the individual. This service is already being offered by a non-profit making organisation in France whereby individuals who are interested in buying or selling a business

can approach experienced entrepreneurs who provide useful insight. This is particularly targeted towards small and medium sized entities (SMEs) who prefer to have a discussion with peers before going to a financial advisor.

Other European countries are assisting family businesses in the form of succession clubs and platforms, and by providing succession moderators, organising seminars and publishing annual statistics. Other forms in which the importance of early succession planning can be increased include the provision of a short course with the aim of helping successors take over the business from their predecessors. Such courses are already being offered by universities such as the University of Utrecht, spanning over a period of six months.

Encouraging family business successions is also a question of promoting a regulatory environment that does not hinder this form of transfer. Inheritance and gift taxes create a substantial disadvantage for family businesses that have a long-term outlook. Indeed, inheritance tax rules can sometimes harm the long-term prospects of a company since tax must often be paid in cash. Although many practices exist in Member States that give reliefs on inheritance tax for companies who are going to keep the business for the long-term, the range of reliefs and exemptions countries offer can mean the effective tax rate can be significantly different to the headline rate. For example, a family business which is unaware or unprepared can face severe fiscal obligations that can lead to the closure or sale of the business. Information on the different options that family businesses have when transferring to the next generation must be made more readily available to the owners and their advisors.

Communication is key towards focusing attention on the process of business transfer. For example, in France, a television campaign was used to change individuals' perceptions that creativity is only found in new businesses, but rather, acquiring a business can be equally dynamic. Furthermore, organisations and governmental agencies trying to address this issue should work closely with a family business in order to better understand how such a business operates. It is only in doing so that one can truly understand the difficulties faced by family businesses, particularly relating to the management of the relationships of family members and the conflicting expectations and visions of future generations.

Awareness should also continue to be raised about the possibility of transferring a family business in the form of a cooperative, whereby the ownership of the business is transferred to its employees. Some would argue that this is almost like transferring the business to a family member.

Lastly, family businesses should also consider which is the ideal jurisdiction to establish their head office in. Relocating need not necessarily take place upon transfer of the business. Each business must be ready for the move when the right time comes.

## **Workshop Session 2 – Cross Border Business Transfers**

### **Rapporteur Mr Tom Borroughes**

The European Union and its member states need to build a “one-stop-shop” organisation of advisors with different skills to bring potential buyers and sellers of firms together and ensure conflicts of interest are curbed, delegates and panellists heard while attending a workshop session at the recent Business Transfer Conference in Malta, 17 March.

Main proposals/suggestions:

-- *The importance* of smooth transfer, and of avoiding costly break-ups of strong business by lack of transfer planning, must be given more prominence by entities such as business schools, colleges, business associations and government. At present, young people often get the idea that working for a start-up is the smartest option, but working for a transferred firm can be equally, if not more, beneficial. Education effort must be spent to drive this point home.

A panellist stated that he wanted to raise awareness on a different kind of entrepreneurship in the educational system. "Generally education focuses on start-up entrepreneurship. Yet looking at the far greater economic importance of business transfers and succession compared to start-ups in developing and developed economies, education should challenge our pupils and students to become a partner of an existing firm, to take over existing firms or be a successor of a family firm as their entrepreneurial endeavour,". The panel also called to have business transfers/successors incubators and support centres alongside start-up centres, incubators and accelerators. Investing in a business transfers/succession eco-system should be as important or even more important than in start-up activities.

-- *Before efforts* are undertaken to build a pan-European network and set of organisations for business transfers, they should be created first at a *national* level because of the wide variety of specific national regulations, inheritance codes and taxes. Without national ecosystem in place, it is very difficult to create a Europe-wide one.

--*One -stop-shop* organisation to work with transferees and recipients of businesses was proposed. There is a need to ensure that advisors know their trade, are selected and registered or accredited as specialist in business transfers/succession. It is not something one can do "on the side". There was discussion around the fact that given the sometimes bewildering range of issues facing owners and potential acquirers/inheritors of businesses, it makes sense to create an integrated organisation pulling together different types of advisor, led perhaps by an individual who is entrusted with starting and overseeing the process. Such a business transfer advisor could be called a "moderator". There was no clear agreement that a particular model of such an organisation is ideal. For example, such a body could be funded in part by public and private groups, or entirely privately (such as with the aid of business and commercial trade associations, etc).

The panel, in talking about the role of intermediaries, made the point that, based on research in different EU countries, three to four different advisors are involved on each side of the transaction in business transfers, not being used to work closely together in the interest of the seller and/or buyer.

--On *tax*, it was pointed out that in Europe, there are not just cases of double-taxation, but potential multiple taxation from three, four or more countries/instances, and that the lack of a multilateral agreement on creating a single effect on transfer is a serious drawback to cross-border transfers and in cases where owners and their families may reside in different countries. It was suggested that more effort is needed to ensure there is such a *single tax effect*, given sufficient political will.

Specifically, the panel made the following points: The European Commission Recommendation regarding relief for double taxation of inheritances (COM/2011/856/EU : OJ L366/81 20.12.11) says at recitals 10 and 11

“(10) The absence of appropriate ways of relieving cumulative taxation of inheritances may lead to overall levels of taxation that are appreciably higher than those applicable in situations that are purely internal to one or other of the Member States involved.

(11) This may hinder EU citizens from benefiting fully from their right to move and operate freely across borders within the Union. It may also create difficulties for the transfer of small businesses on the death of owners.”

“The Recommendation has been ignored and so was the Recommendation of 1994. It was suggested that the Maltese Presidency should support the European Commission in what it says about business transfers, especially at a conference concerned with business transfers.”

The role of *intermediaries* and third-parties in business transfers, such as affected employees, must be given much more prominence.

Another proposal mentioned was that when a business is about to be transferred, it can sometimes be an auspicious point to encourage foreign investment. Governments seeking to attract foreign inward investment, or other entities, could encourage ways that foreign investors can participate in transfer processes and put them in touch with business owners looking to move on.

It was pointed out that there is a limited pool of advisors with experience in, and confidence about, helping business transfer situations . “There are very few advisors who are good at emotional issues involved.....and conflict resolution,”. It was pointed out that emotional issues generally overshadow legal, fiscal, financial issues, being harder to resolve generally. So advisors, generally from legal or financial background, have to invest in education and training how to deal with these non-technical and non-rational matters.

A possible proposal, is to look at ways to train and produce more advisors with the necessary talents. There is potential to approach industry groups such as the CFA Institute, European business schools, the largest banks, etc, to see what can be done to make business transfer a bigger area of professional training and increase supply of advisors.)

There is a strong case for building more platforms through which people looking to transfer a business can hook up with potential buyers and others; these platforms should be complementary to “one-stop-shop” organisations for helping different parties, not a replacement for them or some sort of fix.

A member of the audience suggested that a small, but concrete step is to build niche marketplaces for business transfer that would be lightly regulated so as to allow the market to thrive and get off the ground in certain markets.

The need to consider business transfer should be part of the thinking of business owners not just when they are about to retire or reach a certain age, but from the outset. The earlier person (s) think over such matters and prepare, the less likely they will make mistakes later on.

## CHAPTER 3

# PROPOSAL TO THE COMMISSION FOR AN EFFECTIVE WAY FORWARD FOR BUSINESS TRANSFERS AND FAMILY BUSINESSES

**Following the successful 2017 Malta Business Transfer Conference the following proposals should all be implemented by the Commission:**

### **1. The Establishment of an EU Expert Group / Working Party**

**Guaranteeing coherent business transfer policies at regional/national level in Member States thanks to coordination and good practices at EU level**

Member States should implement national action plans to support business transfers. The EU Commission could definitely play a constructive role by coordinating at European level business transfer regional/national policies and by helping Member States exchange information, good practices and tools to develop their respective national action plans. The Maltese Presidency creating a dedicated EU expert group, as well as providing operational support to Member States, including activities where Member States can benefit from transfer of knowledge.

Several Member States are still lagging behind and should implement efficient business transfer ecosystems to guarantee access for entrepreneurs to the basic information and support services to conduct successful transfers of their business or to carry out acquisition projects.

Therefore, it is strongly believed that the added value of a EU coordination of business transfer regional/national policies: organizing the coordination, at EU Commission level, of business transfer policies from Member States would enable the retention of this very important policy area on the agenda and to encourage Member States to develop business transfer friendly ecosystems, capitalizing on good practices from other countries.

An EU Expert Group should be established with the scope to meet every quarter to work towards national action plans on promoting Business Transfers and work towards achieving Commission policy.

As presented in the conference, barrier removal and awareness raising are both extremely important in promoting business transfers. The EU has been active for almost 25 years in helping member states to develop their business transfer ecosystems. By way of example, back in 1994 EU launched recommendations for member states to develop their legislation. One of the next steps needed to develop national business transfer ecosystems would be a workshop / group for experts, who are responsible to develop national action plans on promoting business transfers. This expert group would allow participants to learn from each

other, share their own views and experiences and build professionally effective action plans for the each member state. This kind of expert group would also increase possibilities to cooperate with other states and the EU could be proactive in this measure.

Finally business transfers deserve the same attention as start-ups. In many Member States, intra-Family business transfers are the predominant form of transfer. Considering the positive effect of family ownership to growth, jobs, and stability, 'plan A' for policy makers should be family business succession; if this is not possible 'plan B and C' should be the transfer to a third party or to employees.

**The European Commission could support a multi-year programme which objective would be to guarantee coherent business transfer policies at regional/national level in Member States thanks to coordination and exchange of good practices at EU level. This could be done by :**

- **The setting up of an expert group at EU level gathering regional and national business transfer government agencies from Member States to exchange good practices and minimum quality standards for business transfer ecosystems at Member State level.**
- **A follow-up and operational support to the expert group between each meeting to help each Member State implement the minimum quality standards in its local ecosystem.**
- **Transfer of knowledge: A specific task of the operational support & coordination could be, in parallel, to guarantee the transfer of knowledge from more mature countries in the field of business transfer policy and dedicated support programmes, to less mature countries. Trainings, peer-to-peer meetings and operational follow-up could be organized to increase the chances of success that less mature countries evolve towards mature countries and progressively have strong and efficient business transfer ecosystems in place.**

## **2. Improve the dissemination of good practices among Member States**

More support is needed to help SMEs to better prepare their transfers. The European Commission should support and promote a study to identify national good practices in the area of business transfers (including those under the cooperative form). Furthermore, existing working groups at European level such as the Network of SME Envoys should be used to intensify the exchange of good practices. For this reason, a rapporteur could be specifically appointed within the network who is in charge of all policy issues related to business transfer.

## **3. European Business Transfer Barometer**

Figures and numbers related to business transfers are rare and not comparable. Research implemented in a number of member states with common research design would produce reliable figures and numbers. This would allow evidence based policy development. Barometers work as a base for other awareness raising activities and the development of the business transfer ecosystem. The barometer questionnaire itself is an effective tool to engage the potential sellers and buyers interest, and raise their awareness of business transfers. Research results offer an opportunity for arranging media publicity, seminars, road shows and personalised letters. A number of member states (e.g. Croatia, Sweden and Finland) have some experience about the barometer and results are encouraging. With the support of EU Commission, EU level business transfer barometer could be planned and implemented.

Accurate data on business transfers is urgently needed. In addition, this must be coupled with accurate data on company ownership, with which, a comprehensive undertaking of business transfers is achievable.

Collecting and sharing data on transfers of businesses in Europe would enable member states to have business intelligence at European scale regarding transfers of businesses, to show the economic impact of (un)successful transfers of SMEs for Europe's jobs, competitiveness and growth, to measure the impact and efficiency of business transfer policies, and to help Member States allocate in a smarter way government budgets to the most efficient policies.

Better statistics are needed when it comes to understanding why business ownership changes? If such transfers are actually successful? What is the precise success rate? How many do fail? and how many jobs are impacted? amongst other issues.

Having the right data can be the proper basis in devising the right policies and initiatives particularly at a Member State level.

Today, there is a lack of data on transfers of businesses in Europe. A European Business Transfer barometer makes it possible to:

- have business intelligence at European scale regarding transfers of businesses,
- show the economic impact of (un)successful transfers of SMEs for Europe's jobs, competitiveness and growth,
- measure the impact and efficiency of business transfer policies,
- help Member States allocate government budgets in a smarter way to the most efficient policies.

The European Business Transfer Barometer could be carried out under the form of a survey among entrepreneurs and could ideally measure:

1. The ongoing number of business transfers in the European SME market, especially so for micro and small firm entities.
2. The characteristics of the firms, their seller and the wished for buyer/successor characteristics.
3. The barriers perceived in business transfers both with respect to family succession and non-family business transfers.
4. The perceived success or failure chances.
5. The potential macro-economic loss of revenue, employment and capital destruction in relation to national or European statistics.
6. The perceived support by incumbents or sellers of national agencies, support programs and/or private advisory services.
7. There should be some room for country specific themes or items.
8. The cross-border deals

Statistical data on business transfers are not available from Eurostat. The only sources are national, but their comparison and analysis is greatly hampered by differences in definitions and methodologies employed by each country. Hence, in order to provide a factual basis for policy making, there is the need to compile, harmonised, annual data related to the development of business transfers in the EU.

**In this respect it would be constructive to encourage bodies such as Eurostat to compile accurate yearly data on the situation of business transfers in the EU.**

**The European Commission could support a project to design and pilot the first EU Business Transfer Barometer.**

#### **4. Facilitation of cross-border business transfers**

In order to pave the way for more cross-border transfers of SMEs, several actions need to be taken first to create the right conditions for entrepreneurs to conduct such transactions. Firstly, Europe needs to put the spotlight on cross-border business transfers under the form of awareness-raising campaigns. Secondly, the challenge of the intransparency of national markets needs to be addressed by making the best use of existing tools: the business transfer matching platforms, operating regionally, nationally and internationally.

Enabling more cross-border transfers of SMEs is a key challenge for Europe in the context of the Single Market strategy and the Start-up Scale-Up Initiative's main goal to reach higher growth. Besides, about 50% of all small and medium-sized family firms are looking for cross-border investments to grow their markets, also in setting up subsidiaries and/or acquiring other (family) firms.

Family firms also tend to acquire other family firms abroad. Since many family firms overlook the possibility to be acquired by foreign family firms, they hardly make themselves visible on matching platforms. Supporting cross-border business transfers also will help these family firms to find good buyers or sellers abroad.

In order to pave the way for more cross-border transfers of SMEs, several actions need to be taken first to create the right conditions for entrepreneurs to conduct such transactions. Firstly, Europe needs to put the spotlight on cross-border business transfers under the form of awareness-raising campaigns mainly. Secondly, the challenge of the intransparency of national markets needs to be addressed making the best use of existing tools: the business transfer matching platforms, operating regionally, nationally and internationally.

**The European Commission could support:**

- **A pilot project to investigate necessary conditions for cross-border connections between platforms-including a research project to assess the obstacles and opportunities linked to (cross-border) external growth of SMEs by acquisition, as perceived today by entrepreneurs in Europe;**
- **A EU-wide awareness-raising campaign targeted to SMEs, capitalizing on the learnings from such research, and highlighting success stories from all over Europe, in order to encourage business owners to consider external growth by (inter)national acquisitions;**
- **The launch of a European business transfer online marketplace.**

## **5. Promote or Improve fiscal exemptions regimes and legislation for intra family business transfers**

Various exemption regimes exist for family businesses in many Member States. However, the range of reliefs and exemptions countries offer can mean the effective tax rate can be significantly different to the headline rate. For example, a family business which is not sufficiently aware or unprepared can face severe fiscal obligations that can lead to the closure or sale of the business. Information on the different options that family businesses have when transferring to the next generation must be made more readily available to the owners and their advisors.

Reduced Inheritance and gift taxes inheritance taxes create a substantial disadvantage for family businesses that have a long-term outlook. Indeed, inheritance tax rules can sometimes harm the long-term prospects of a company since their companies must often pay the tax in cash. Many practices exist in Member States that give reliefs on inheritance tax for companies who are going to keep the business for the long-term; these practices should be promoted across the EU.

It is extremely important that taxation does not discourage business owners and buyers. Business transfers particularly to third parties need to have tax exemptions or tax reliefs. Even taxation procedures and structures have a direct impact on business transfers. Exchanging best practices and information on how different Member States deal with taxation issues can result in positive developments.

The European Commission is the ideal institution to monitor and review the legal, administrative, and fiscal environment that surrounds business transfers across Europe. It should perform regular appraisals and submit recommendations to Member States when necessary. In order to further improve the functioning of the Single Market, the Commission should also monitor the situation of business transfers in the cross-border context.

## **6. National Level Actions**

An imperative aspect that Member States need to address at the national level is legislation. The creation of transfer-friendly regulatory framework is key in this regard. There is much room for improvement in the different Member States to actually have the proper legal frameworks that would facilitate the transfer of businesses.

In this regard policy makers firstly need to improve information available for both sellers and buyers and develop **professional on-line platforms**.

Second, SME owners seem to have very limited expertise with the **buyout process**. Policy makers need to facilitate the link between buyers and sellers and the professionals who can actually help them out and provide them with knowledge on how to perform a business transfer.

Third, **financial resources** - this is an eternal problem for any entrepreneur who will be starting out, but not only. In this regard creating network opportunities where potential entrepreneurs meet debt and equity providers can be a step in the right direction.

Fourth – **sharing of best practices**. Improved dissemination of best practices in the different Member States and subsequent discussion on a European level can help address many of the drawbacks that SMEs face when trying to transfer ownership of their business. Since barriers to successful business transfers are mostly found at local and national levels, comparing approaches across Europe to exchange best practices and take action accordingly is bound to leave positive results. This will particularly work when dealing with the regulatory framework and the taxation aspect.

Last but not least – **proper implementation** in all the Member States. Legislations and guidelines would have very limited purpose if they are not enforced and monitored properly. Adequate European policies are essential, but equally important is the role of a Member State to implement actions that will ultimately facilitate, encourage and support SME transfers.

## **7. Achieving top of mind awareness of “business transfer”**

Business transfer have too low a profile in the Member States political agenda. While supporting SMEs to organize their continuity is crucial to maintain employment and know-how in these companies in Europe the EU Commission should do more to “market” business transfer in Europe, with, among others a Business Transfer EU portal, EU-wide promotion campaigns, national business transfer road shows to highlight success stories and encourage entrepreneurs to take action, the organization of the European Business Transfer Week, the organization of the Best Business Transfer Awards as well as a biannual European Business Transfer Conference.

In addition to the “Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers”<sup>1</sup>, it is important to recognize the generalized too low profile of “business transfers” across Europe. Therefore, even if this is not directly linked to the Single Market Strategy nor the Start-up Scale-up Initiative, we are convinced that EU Commission should do more to “market” business transfer in Europe, with, among others:

- A Business Transfer EU portal where entrepreneurs can easily find, among others, business transfer information, competent support organizations and quality professionals from their country.
- EU-wide promotion campaigns of business transfer/takeover organized, in collaboration with relevant government organizations and business associations at Member State level, but also in close partnership with the media
- The organization of national business transfer road shows to highlight success stories and encourage entrepreneurs to take action
- The organization of the European Business Transfer Week,
- The organization of the Best Business Transfer Awards to highlight successful transfers/acquisitions of SMEs, inspire entrepreneurs and encourage authorities to continue to pursue their efforts in supporting business transfers
- The organization of a biannual European Business Transfer Conference, gathering all relevant and involved stakeholders

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(1) <http://ec.europa.eu/DocsRoom/documents/4263/attachments/4/translations>

## **8. Access to reliable and quality business transfer professionals**

Member States should make sure to provide access to quality support for entrepreneurs facing a transfer of business or with an acquisition project. Nevertheless, there are no minimum quality standards for business transfer professionals in Europe. This is not a regulated profession. The Maltese Presidency underlines the importance for the EU Commission to guarantee the access to reliable professionals by promoting the implementation in each EU Member State/region of certification committees/organizations. A pilot project could help to obtain an inventory of existing good practices in the field of the professionalization of private advisors in business transfer and these good practices could be used as a toolkit at Member State level to implement committees providing agreement to quality business transfer advisors.

In order to guarantee the success of transfers of SMEs, it is essential to provide access to quality support for entrepreneurs facing a transfer of business or with an acquisition project. Support may be provided both by semi-public/public organizations such as economic development agencies, business transfer government agencies, chambers of commerce, ... But each entrepreneur should also be supported by business transfer professionals, for support services requiring an expert in his field such as valuation, legal and transaction aspects. Private advisors and government/semi-public support organizations play complementary roles in providing support to entrepreneurs.

However, to this day, there are no minimum quality standards for business transfer professionals in Europe. This is not a regulated profession. Calling on a “bad”/unprofessional advisor may be worse than no advisor at all. Besides, entrepreneurs are not always willing to pay for professional advice.

A National Register is created for the registration of the accredited advisors mentioned below prior to any action / registers set up at an EU level.

Due to the legal and regulatory obstacles present in a cross border transaction, a one-stop-shop solution was put forward. In this case, this regime would encapsulate accredited advisors who are expert professionals in different fields, such as law, taxation, valuation of property etc. for the provision of expert support to the parties involved in a cross border transaction. The quality of the advisors is crucial since it would make or break a deal. The accredited advisors will of course liaise with various other professionals to ensure the smooth transaction of the transfer / succession for the benefit of all parties concerned. The benefits of a one-stop-shop are various - for instance, elimination of multiple regulatory bodies which deal with tax issues. A similar EU approach has been taken with regards to the regulation of cross border succession.

Training and education for professionals involved in business transfers (lawyers, accountants, judicial representatives etc.) should also target business transfers to employees, including training programmes to business organisations and constituted bodies such as those representing professionals, employees and leading business organisations within a Member State.

## The European Commission could

- Promote the implementation in each EU Member State/region of committees/ organizations or any other neutral structures that would provide certification and monitoring of business transfer private advisors abiding by minimum quality standards, ethical values and a certain level of professionalism.
- Gather each year these Certification Committees in a dedicated expert group in order to reinforce the good practices through exchange of experience
- At long term, implement a system of certification of those committees
- Support a pilot project to obtain an inventory of existing good practices in the field of professionalization of private advisors in business transfer: Ethical committee, Ethics Charter, professional association for M&A advisors, trainings, awards to highlight success stories and good examples of quality business transfer professionals. These good practices will be used as a toolkit at Member State level to implement committees providing agreement to quality business transfer advisors.

## 9. Certification of business transfer matching platforms in Europe

The number of transfers to third parties is increasing. It has become increasingly important to facilitate the matching of potential buyers and sellers of businesses, thus contributing to the successful transfer of enterprises in Europe. In this respect, Business Transfer Matching platforms prevent the loss of hundreds of SMEs and thousands of jobs per day. The EU4BT project, supported by the EU Commission, made it possible to define minimum quality standards for such platforms. Next steps include the concrete implementation of minimum quality standards from the EU4BT code of conduct. The certification process should also be organized at EU level. Also the promotion of such a certification should be planned at EU level, making sure to involve all relevant stakeholders in the promotion of the certification of business transfer matching platforms: professional organizations, government organizations, supranational organizations.

The number of transfers to third parties is increasing. It has become increasingly important to facilitate the matching of potential buyers and sellers of businesses, thus contributing to the successful transfer of enterprises in Europe. Business Transfer Matching platforms prevent the loss of hundreds of SMEs and thousands of jobs per day. This is the price paid by the EU economy, due to companies simply giving up on their activities without finding any buyer.

More specifically for family firms in Europe, improving the quality of matching platforms is likely to be very helpful to stimulate growth of family businesses. Indeed, in some countries, a better transparency on matching platforms would lead to Family Buy Inns, where two or three family members buy a non-family firm.

Conclusions from the EU4BT project are promising, with this clear sign of business transfer matching platforms willing to improve and better meet their users' needs. Their users are crucial for the European economy as owners of today's and tomorrow's SMEs in Europe. Therefore, we need to make sure they have access to high-quality services. Thanks to the EU4BT project, 35 Business Transfer Online Platforms from 12 countries have committed themselves to quality standards for more transfers of SMEs in good conditions in Europe. At the EU4BT Closing Event in Cologne on May 24<sup>th</sup> 2016, 19 matching platforms from 9 countries signed a 'Code of Conduct' and committed to respecting minimum quality standards.

Next steps include the support and coordination at EU level to help business transfer matching platforms implement all minimum quality standards from the EU4BT code of conduct. The certification process should also be organized at EU level.

Also the promotion of such a certification should be planned at EU level, making sure to involve all relevant stakeholders in the promotion of the certification of business transfer matching platforms: professional organizations, government organizations, supranational organizations.

**The European Commission could support a stronger basis for quality matching:**

- **the certification of business transfer matching platforms in Europe, making sure entrepreneurs in Europe are supported by quality platforms to search the best counterpart and secure continuity of their business**
- **the promotion of such a quality label/certification for business transfer matching platforms in Europe to encourage platforms from all EU Member States to go for certification (with possible subsidies)**

**supporting innovation projects of (cooperating) matching platforms, having been certified, on additional digital and non-digital services like financing, legal services and/or closer cooperation with advisory services to create low barrier one-stop-shop for sellers and buyers in the business transfer market**

## **10. Matching Platforms**

Creating an online marketplace operator for the buyer/seller. This platform may be applicable to transfers on a local level (and not only cross border). A common platform which provides clear information on the buyer and seller may result in a more efficient match together with an effective search engine and also networking facilities.

Creating an **online platform** is another proposal that can help match potential sellers and buyers or having a single database accessible via a website which can gather together all the potential buyers and sellers.

## **11. Incubators and Accelerators**

Many times we focus on start-ups and initiatives required for new entrepreneurs to start their own business. However, much less attention is given to business transfers, when here is an opportunity for creating growth and for generating innovation and development too.

When dealing with start-ups, numerous initiatives have been proposed and in fact implemented. There is nothing stopping us, from actually proposing and implementing the same or similar initiatives for business transfers.

Why not have incubators and accelerators for business transfers too and not only for start-ups? This would offer the right possibility to better match buyers and sellers whilst delivering the message that taking over an already existing business is a career opportunity as much as starting your own new business.

## **12. Education and Awareness on business transfer**

In life, everything, or almost everything, moves through different phases and finally has an ending. It is thus important that our education system introduces the concept that a company can, and actually should, move to new or different owners at some point during its existence. This concept also lacks in personal career planning and many bankers and IT staff, basically the world I know, suddenly wake up and find themselves with nothing to do. Hence, a module at tertiary education in as many faculties as possible, on this reality of life, is an excellent starting point. Ideally we should get them young, so, secondary and primary education should also be targeted;

A course on business transfers could be developed and provided with cooperation of a number of higher education institutes (HEIs) in a few member states. The objective of the course would be to build acquisitive mindset for the students. The current situation is that HEIs do teach how to start a firm, but learning processes how to buy a business are extremely rare. On the other hand, already today a good number of entrepreneurs start their careers by acquiring a business. For the existing entrepreneurs business transfers are effective and fast way to grow their businesses. Business transfer ecosystems need more entrepreneurs with acquisitive mindset. With the support of EU Commission, a course on business transfers could be developed and disseminated around member states.

Many times when speaking about business transfers we speak also about awareness-raising. But ultimately, awareness-raising should also deal with how to help find the right buyer and to identify the fitting business for a seller. Raise awareness among administrations for the importance of business transfers DG GROW should continue to communicate to national administrations, and internally within the European Commission, the importance of transfer of businesses.

Mentoring is another idea, which should not be limited only to start-ups but can work for business transfers too. In France, for example, entrepreneurs offer their time to business owners starting a transfer process and this has been working and yielding results.

It is also important to provide the proper advice to both buyers and sellers. In this regard, initiatives that can connect the sellers and buyers with professionals who can provide them with much-needed professional advice would be highly recommended.

In this regard policy makers can devise policies which will help monitor at the national and local level business owners who would be close to retirement and approach them to raise the issue of continuity of their company and discuss with them possible alternatives and options.

## **13. Distinguish between firms as legal entities and entrepreneurs as individuals**

Research should be initiated focusing on the legal aspects of distinguishing enterprises as legal entities and entrepreneurs as physical persons. The former should focus on the impact of such a distinction on the entrepreneurial life of physical persons (i.e. support to re-start, reduce the stigma from bankruptcy, access to finance, etc.). This differentiation is important and necessary since legal entities and entrepreneurs require and need different assistance in the running of their business and growing it. Transferring a legal entity also poses different requirements and challenges whilst the requirements and challenges for an entrepreneur in acquiring a business in the process of being transferred or transferring one himself are different all together.

#### **14. Support family businesses to better prepare their transfers**

A transfer is not a single event, but a process that must absolutely be planned in advance in order to succeed. Experts recommend period of 10 years to prepare transfer, with owners beginning to think seriously about succession as of 50 years of age, and planning to retire at about 60 to 65. Early preparation is needed to identify and educate the successor/s: Another point that relies on early preparation, since a successful transfer is where the successor is prepared and already knows the business well. Therefore, family business owners must be made aware of the resources and tools, through business support networks, that are available to them to better prepare their transfer.

#### **15. Support the creation of a network of business support services**

With regard to support services active in transfer of businesses, Member States should support the creation of a network of cooperative business support services with a specific approach for transfer of businesses to employees under the form of a cooperative. The transfer of a business to the employees through the creation of a cooperative and other forms of employee ownership can be a promising way of ensuring the continuity of an enterprise. The European Parliament called for special support for these forms of business transfers through an EU budget line that also includes financial instruments.<sup>4</sup> Support should be built upon the experience gained in existing organisations as proposed by the Global Report on Cooperatives.

#### **16. Access to finance**

Facilitating access to finance is not an issue limited to start-ups alone, but is also a very pertinent issue for business transfers. Buying an existing business requires more capital than starting up a new business.

EU programmes such as COSME can also help improve access to finance as improving access to finance is one of the specific objectives of this funding program. Other objectives include improving framework conditions for competitiveness, strengthening entrepreneurship and improving access to markets.

This is a good example of how the EU can complement national and regional efforts to address market failures and improve the situation for SMEs that need to remain the drivers for innovation and growth in the European Union.

The recurrent problem that still exists is that many SMEs do not necessarily know what funding possibilities actually exist. And if they are aware of these programmes many find the whole process of applying for these programmes too bureaucratic, expensive and time-consuming.

# CONCLUSION

The Single Market aims to create more opportunities for SMEs in Europe and to remove the barriers to their growth. This will enable SMEs to increase jobs, growth and investment. Many SMEs cater for a local or regional market - they are not aware nor informed enough of the opportunities to grow up by external growth at local, regional or national level but also at a European level through cross-border external growth. Opportunities do exist but the lack of transparency and the fragmentation of the single market hamper SMEs from growing.

In this context, the Start-up and Scale-up Initiative's main objective is to help SMEs scale up and grow. It seeks to create scale up opportunities for SMEs, help them connect with the right partners & access commercial opportunities. SMEs should have easy online access to Single Market information and easy access to dedicated experts. The Initiative underlines the need for more coordinated support across EU Member States and the added value of an EU wide platform to connect SMEs with potential business partners, including pilot measures on matchmaking.

**Entrepreneurs do not receive the needed information and support to prepare their business to be transferred to a new owner.** It has been more than ten years that the EU Commission and the Member States have worked on the issue of business transfers, providing recommendations that fail to be implemented, especially in more recent years of budget squeeze by governments.

Every day in Europe, entrepreneurs/business owners want or need to transfer their company to a new owner. Most of the time, the business and its owner are interlinked, with no corporate governance in place, which would, however, make the business much more "transferable" to a new owner. Most business owners do not think of, nor prepare the continuity/transfer of their business to a new owner. If they are not able to transfer the business in optimal circumstances (for example thanks to good information and advice but also, in case of transfer outside the family, thanks to an efficient platform that helps them find the most suitable buyer for their company), this will lead to a loss of wealth and employment, as well as all the social drama it can imply.

Despite the promising actions in the Single Market Strategy and the Start-up and Scale-up Initiative to reach more growth by EU SMEs, the importance of maintaining existing jobs and know-how by guaranteeing the continuity of existing SMEs should not be underestimated.

Investing in starting up and scaling up of enterprises is crucial, of course, but this investment should be secured by also supporting transfers of businesses. Building on the EU Commission's achievements in supporting business transfers in Europe, member states expects the Commission to take concrete action to help build business transfer-friendly ecosystems in Member States and to monitor and coordinate progress at EU level.

**Entrepreneurs still face many obstacles when wanting to grow by buying another business in their own country or to take over a foreign company.**

Today, there are still obstacles preventing business owners in Europe to grow by external buyout in their own country but also in other countries. Indeed, international external growth is not only a matter of big corporations but is really becoming an essential tool for

international development of SMEs. Because of increased competition and limited growth potential within a single region or country, SMEs should become aware of the opportunities linked to growth by external acquisition abroad. As a matter of fact, it enables SMEs to expand on international markets with high potential, to acquire specific know-how or technologies, to win new market shares abroad or even to split the risk among several countries. Emphasis should be put on how important it is for SMEs in Europe to consider their growth strategy as a whole, and to be aware of the opportunities of external buyout, nationally and internationally.

To this day, the European market remains non transparent in the eyes of a business owner seeking to buy a business across national borders. Matching platforms and on-line marketplaces are concrete tools to help create transparency in the market and facilitate connections between potential sellers and potential buyers of SMEs both in a single country and at cross-border level. The recent EU4BT project<sup>2</sup>, which objective was to define minimum quality standards for matching platforms in Europe, found out that such platforms and marketplaces are willing to cooperate to facilitate cross-border deals in Europe but options for the internationalization of platforms and their coordination at EU level remain to be investigated.

The Commission needs to take concrete action to encourage more cross-border transfers of businesses, with a focus on external growth by acquisition and the essential role of matching platforms to give visibility to existing buyout opportunities across borders.

**It is therefore essential to start paving the way for successful transfers of SMEs in Europe & creating cross-border scale up opportunities for SMEs in Europe.**

**This report was written by Dr. Nadine Lia, legal adviser to the Ministry for the Economy, Investment & Small Business, Malta and Regulator for Family Businesses with the participation of Ms Maria Farrugia and Mr Tom Borroughes who were workshop rapporteurs.**

**The Ministry for the Economy, Investment & Small Business would like to thank all those who contributed in the compilation of the report and participated in the conference.**

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<sup>2</sup> [www.eu4bt.eu](http://www.eu4bt.eu)

# APPENDIX 1 – CONFERENCE PROGRAMME

## **Business Transfer Conference Agenda**

Friday 17<sup>th</sup> March 2017

**VENUE: The Grand Hotel Excelsior, Valletta Malta**

**Moderated by Joe Tanti, Chief Executive Officer of the Malta Business Bureau**

- 8.00 – 9.00      Registration and Welcome Coffee**
- 9.00 – 9.20      Welcome Address**  
Christian Cardona - Minister for the Economy, Investment and Small Business and SME Envoy
- 9.20 - 9.35      Effective policy and support measures for business transfers in the Single Market – how to prepare for the challenge ahead?**  
Elzbieta Bieńkowska - Commissioner for Internal Market, Industry, Entrepreneurship and SMEs and EU SME Envoy
- 9.35 - 9.50      Transfers of family businesses and their economic challenges – Malta and the work it has undertaken**  
Nadine Lia – Regulator for Family Businesses Malta
- 9.50 – 10.20    What have we learnt from recent work on business transfers? –Main findings of business transfer projects**  
David Garrofé – General Secretary, Reempresa  
Juha Tall - Seinäjoki University of Applied Sciences Business School  
Eleni Foti – Director of International Commercial Relations, Athens Chamber of Commerce
- 10.20-11.00    Coffee and Networking**

- 11.00 – 11.10**      **Technical and non-technical barriers to business transfers**  
Leif Melin – Jönköping University
- 11.10 – 11.20**      **Innovative solutions and methods for economically sustainable business transfers**  
Bruno Roelants – Secretary General, CECOP – CICOPA Europe
- 11.20-12.00**      **Panel discussion - questions from the audience**  
Moderator: Sakari Oikarinen - CEO, Induco/Managing Director, Enterprise Agency Central Finland,  
Panelists: Therese Comodini Cachia, MEP  
Bernard Jehin - Vice Chairman, SOWACCESS  
Nicolas Pirotte – Secretary General, Transeo
- 12.00 – 13.30**      **Lunch and Networking Break**
- 13.30 – 14.00**      **Keynote Speaker**  
Joseph Muscat - Prime Minister of Malta
- 14.00 – 15.00**      **Break Out Workshop Session**
- Workshop Session 1 – Cross-Border Business Transfers**  
Rapporteur: Tom Burroughes - Editor, WealthBriefing  
Moderator: Rosalie van Rijk- Managing Director, MKBase  
Panelists: Timothy Lyons QC – 39 Essex Chambers  
Oriol Alba Sendra – Coordinator, Centre de Reempresa de Catalunya  
Lex van Teeffelen – HU Business School Utrecht
- Workshop Session 2 – Successions within Family Businesses**  
Rapporteur: Maria Farrugia - Audit and Accounts Assistant, Ellacotts Lp  
Moderator: Peter Villax – Chairman, Association of Family Enterprises, Portugal, Hovione Family Business  
Panelists: Alfonso Libano – Chairman, European Family Businesses  
Stephen Harris – CEO, Clearview Financial Media  
Jean-Marie Catabelle – Honorary President, Cédants et Repreneurs D'affaires (CRA)
- 15.00 - 15.40**      **Coffee and Networking**
- 15.40 – 15.50**      **Helping Member States to Implement Business Transfer / Family Business Measures.**  
Angela Niebler - MEP

**15.50-16.10**            **How can we build an European policy to encourage and support SME transfers?**

Miriam Dalli - MEP

**Closing Address**

**16.10**                    – Kristin Schreiber – European Commission, Director for SME Policy and  
**16.20**                    the COSME Programme

**16.20-16.30**            Christian Cardona - Minister for the Economy, Investment and Small  
Business and SME Envoy

**16.30**                    **End of Conference**

# APPENDIX 2 – QUESTIONNAIRE

## Malta Presidency Business Transfer Conference

17th March 2017



For further information on the Conference and Logistics please contact Mrs Yanika Cachia/Ms Marita Portelli on 2220 0000, [btc.meib@gov.mt](mailto:btc.meib@gov.mt)

This conference is part of the project Conference on Transfer of Business which has received funding from the European Union's COSME Programme (2014-2020)

### **Asterisk (\*) means required information**

Effective policy and support measures for business transfers in the Single Market – how to prepare for the challenge ahead?

**1. In your view, what are the greatest challenges in your country regarding transfers of businesses, including successions within family businesses?: Please indicate maximum three major challenges.:\***

**2a. Are you aware of the 1994 EU recommendations aimed at facilitating business transfers?:\***

- Yes
- No

**2b. If so, would you say that the Member State you represent is in line with these recommendations?\***

Yes

No

**2c. Taking into account the major challenges related to business transfers, what in your view would be the most efficient measures to address, with a view to improve the business transfer eco-system?:**

**Please list a maximum of three measures you would consider the most important.>\***

Technical and non-Technical Barriers to Business Transfers

**3a. According to a European study, carried out by Transeo in 2011, the number one deal-breaker is the price expectation mismatch between sellers and buyers. Do you think this is still the case today?\***

Yes

No

**3b. If not, what, in your opinion, is the major technical barrier to business transfers, including successions within family businesses? (Examples may include complex regulation, unstable or high taxation, access to takeover financing):\***

**4. Business transfers often fail, or are postponed by the business owner due to psychological / emotional reasons. How can such difficulties be addressed? Please list a maximum of three possible solutions.:**\*

**5. When it comes to external acquisitions, what are in your views the main obstacles hampering the growth of SMEs, including family businesses in your own region / country? Please list a maximum of**

**three major obstacles.:**\*

**6. One way for SME business owners to make the most out of the EU Single Market is to expand their businesses cross-border, including through external acquisitions. What is, in your opinion, the best way to encourage such expansion strategies?:**\*

Economic challenges related to successions within family businesses

**7. Available evidence tends to portray a decrease in the number of family businesses successions, with a gradual shift to transfers to third parties or to employees. Does this trend occur also in your country?:**\*

- Yes
- No

**7a. Do you think that specific support measures are needed to facilitate successions within family businesses. If so, please list a maximum of three measures.:**\*

**8. Are there any governance, fiscal or support measures provided by your country to assist successions within family businesses?:**\*

- Yes
- No

**8a. If yes, please list the three most important ones.:**\*



Indicators and support measures to facilitate the transfer of business at EU level (especially for Micro, Small and Medium Sized Enterprises).

9. Awareness-raising: The latest research / studies on awareness-raising (last EU Expert group on Business Transfer, Transeo Working Group, and the BTAR Project) all point out two common challenges:

1) Business transfers are not only about the continuity of the business and targeting ageing entrepreneurs, but also targeting transfers that can occur at any stage of the business lifecycle which should become a strategic element in business planning. It reflects the fact that business transfers is considered as continuous rather than as an opportunity for dynamism and growth.

2) A lack of coordination of systematic, long-term and coordinated approach to awareness-raising activities: no indicators of success defined, difficult to measure efficiency, etc.

In order to take up these two challenges, please indicate which of the following measures you would consider the most important.

**a) To organise national advisory boards / national business transfer centres on business transfers to coordinate awareness-raising activities, involving the relevant stakeholder organisations:\***

- Very important
- Less important

**b) To exchange good practices on awareness-raising activities:\***

- Very important
- Less important

**c) To raise awareness not only among entrepreneurs, but also among all relevant target groups within the eco-system (including business support organisations, accountants, etc):\***

- Very important
- Less important

**d) To define and implement impact measures for awareness-raising activities and indicators to measure their success / effectiveness:**

- Very important
- Less important

**e) Other comments:**

10. Business support: SMEs need the quality business transfer advisory services to carry out successful transfers. However, there are still several challenges related to the quality of support services, offered by both public and semi-public business support organisations and advisors from the private sector (consultants, intermediaries, accountants, brokers, etc).

From the measures listed below, please indicate which you consider to be the most important?

**10a. To improve the quality of business transfer advisory services by providing customized training programmes:\***

- Very important
- Less important

**10b. To develop quality standards for business transfer advisory services, including codes of ethics and to provide a reliable quality certification system for business transfer advisors:\***

- Very important
- Less important

**10c. To encourage business owners to use advisory services by offering them incentives with a view to ensure affordable and professional advice to sellers and buyers:\***

- Very important
- Less important

**10d. Other comments:**

11. Access to Finance: Today, access to finance to acquire a company does not appear to be the number one problem, although there might be differences from one EU Member State to another.

**What source of finance / financing modalities could be used in your view for business acquisitions?**

**Please list a maximum of three most relevant finance sources / financing modalities?:\***

12. On-line market places: Every day in Europe, entrepreneurs / business owners want or need to transfer their business to a new owner but it is not always happening in the optimal circumstances.

Thanks to the findings of the "EU4BT" project co-financed by the Commission, the following policy recommendations to improve online transfer markets have been proposed.

Please indicate which you would consider to be the most important (full report available on [www.eu4bt.eu](http://www.eu4bt.eu)).

**12a. To raise awareness among platforms about the importance of transparency and business ethics:\***

Very important

Less important

**12b. To establish the certification of matching platforms by an independent organisation (matching platforms respecting the code would receive a quality label, guaranteeing access to high-quality service for entrepreneurs):\***

Very important

Less important

**12c. To encourage public authorities to provide support to online platforms so that they could improve the quality of services offered to buyers and sellers:\***

Very important

Less important

**12d. To carry out standardised customer satisfaction survey of matching platforms:\***

Very important

Less important

**12e. To facilitate the exchange of good practices between matching platforms with a view to further improve their services to entrepreneurs.:\***

Very important

Less important

**12f. Other comments:\***

13. Indicators: There are no reliable data / statistics on business transfers at a European level.

**How in your view can this bottleneck be addressed?:\***

Cross-border business transfers

14. Europe represents a big opportunity for SMEs with its Single Market, but different kinds of barriers prevent SMEs from conducting cross-border business transfers.

**What barriers in your view prevent the cross-border transfers within the Single Market? Please list the barriers that you consider the most important.:**\*

Successions within family businesses

**15a. Regulations related to successions within family businesses exist at the level of national legislation. Is there in your country any specific regulation addressing the issue of successions within family businesses?:**\*

- Yes
- No

**15b. If so, please list a maximum of the three most friendly regulations in your Member State that could be taken up by other Member States:**\*

**16. Are you aware about a regulation called [The Family Business Act](#) adopted in Malta this year that aims to assist family businesses transfer from generation to the other?:**\*

- Yes
- No

**16a. If yes, does your Member State have similar legislation in place?:**

**17a. Do you think family businesses need special attention in the context of successions from one generation to another?:**

- Yes
- No

**17b. If so, from which particular angle?:**

European Policy – Building Stronger Policies to Encourage and Support SME Transfers

**18. In your view, what policy measures would be the most useful at European level to support business transfers?:\***

**19. According to you, what priority policy measures should be the most useful at European level to support business transfers especially family businesses?:\***

REGISTRATION









MINISTRY FOR THE ECONOMY,  
INVESTMENT AND SMALL BUSINESS  
PALAZZO ZONDADARI, MERCHANTS STREET, VALLETTA, MALTA



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